



**MINUTES FROM THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
FEBRUARY 7, 2019**

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the "Committee") was held February 7, 2019 in the Large Conference Room of the Statewide Benefits Office ("SBO"), located at 97 Commerce Way, Dover, Delaware 19904.

Committee Members Represented or in Attendance:

Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of DHR Secretary Johnson), Chair
State Treasurer Colleen Davis, Office of the State Treasurer ("OST"), Committee Member
Ms. Emily Thomas, Fiscal & Policy Analyst, Office of Management & Budget ("OMB") (Appointee of OMB Dir. Jackson)
Mr. Stuart Snyder, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)
Mr. Steven Costantino, Department of Health and Social Services ("DHSS") (Appointee of DHSS Sec. Walker)

Committee Members Not Represented or in Attendance:

Mr. Keith Warren, Lt. Governor Chief of Staff (Appointee of Lt. Governor Hall-Long)
Ms. Ruth Ann Jones, Legislative Analyst, Office of the Controller General ("OCG") (Appointee for CG Morton)
Ms. Judy Anderson, Delaware State Education Association (Appointee of the DSEA, Jeff Taschner)

Others in Attendance:

Deputy Director Leighann Hinkle, SBO, DHR	Mr. Walt Mateja, Truven IBM
Mr. Chris Giovannello, Willis Towers Watson ("WTW")	Ms. Lisa Mantegna, Highmark Delaware
Ms. Susan Steward, Policy Analyst, OST	Ms. Katherine Impellizzeri, Aetna
Ms. Rebecca Warnken, WTW	Ms. Martha Sturtevant, Executive Assistant, SBO, DHR

CALLED TO ORDER

Dir. Rentz called the meeting to order at 10:03 a.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ

A MOTION was made by Mr. Costantino and seconded by Mr. Snyder to approve the minutes from the January 24, 2019 Joint Subcommittee meeting on behalf of the Financial Subcommittee.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

State Employee Benefits Committee Update

The Johns Hopkins researchers are working to provide a risk adjusted analysis requested by the Committee and additional analysis requested by the Joint Subcommittees on January 24, 2019. They will be scheduled to return once their analysis is complete.

Mr. Snyder stated that he would like the researchers to respond to the concerns regarding their data on hospital profitability and how they define investments, and will follow up with Dir. Rentz in an email. Dir. Rentz added that the hospitals have requested an opportunity to address the Committee in response to the presentation by Johns Hopkins.

The Committee was presented with the recommendations of the Subcommittees and it is expected that they will vote on plan design changes at the meeting on February 11, 2019. The Committee is likely to defer a vote on

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premium rate increases at this time, pending Q2 financials and the review of the best and final offer received on the prescription contract renewal.

FINANCIALS – Mr. CHRIS GIOVANNELLO & Ms. REBECCA WARNKEN, WTW

December Fund Equity Report

The report reflects Other Revenues of \$714k which include missed performance guarantees paid by Aetna and Highmark. Favorable claims experience in Q1 & Q2 helped to contribute to \$8.7mm in net income. The Fund Equity Balance thru December is \$156.6mm, up from the projection of \$148mm.

FY19 Qtr. 2 Financial Reporting

The cost analysis reflects the total program costs are up 7% relative to last year, and higher than national trend of 5-6%. Mr. Costantino asked about the increase in pharmacy costs over FY18. Ms. Warnken responded that FY18 pharmacy costs were lower as a result of re-contracting savings and offsets for rebates, but FY19 pharmacy costs are on trend.

There is a lag on pharmacy vendor reporting. The Fund Equity Report reflects 13 invoice payments through December, but 14 were budgeted for. This results in the report reflecting 12% below budget for Pharmacy costs, however when the 14th invoice is received (estimated \$10mm) and paid in January, it will reflect approximately 2.6% below budget.

There is an 11% increase in high cost claimants. Specialty drug costs are up 9%, with utilization up 7%. Mr. Costantino queried about the analytics available to breakout high cost claimants into chronic utilizers versus one-time claims over \$100K. Mr. Snyder cautioned interpreting the data with Medicare members, suggesting that data on active members be separated from Medicare retirees.

There are positive trends on well and preventive care visits, however Treasurer Davis noted that screening rates and chronic conditions remain below benchmark. She asked if a benchmark could be added to well care and preventive visits on the IBM dashboard. Ms. Warnken replied that the quarterly report is a financial snapshot, and not necessarily a good measure of the population's compliance, but once a year their analysis would break out utilization into diagnosis categories with a focus on managing avoidable claims and identifying where increased education might be needed.

Mr. Giovannello noted discrepancies in the reporting due to aligning payments and revenues with the period of time to which they are attributed. Additionally, Employer Group Waiver Plan ("EGWP") pharmacy revenues and rebates are reflected by WTW as offsets to claims, while the Fund Equity Report reflects them as additional revenues.

GHIP Long Term Projection Recast

The FY19 recast and FY20 revised budget projections incorporate FY19 Q2 data and preliminary pharmacy savings. As a result, the FY19 budget projection is down \$3.2mm, the FY20 Operating Expenses are down \$10.2mm, and FY20 GHIP Other Revenues are up \$8.1mm.

The implementation of a proposed rate increase and program changes are not included in the revisions for FY19 or FY20, but are outlined in the long-term projection. The revised projected FY20 budget is down 2.1% as a result of favorable claims, higher enrollment, re-contracting and updated EGWP projections. The FY20 revised budget projections reflect a 4.6% increase over FY19 budget recast.

FY19 projections based on Q1 were recommended to the Committee on January 14, 2019 yielding a \$48.1mm surplus with a recommendation to increase premium rates by 3.2%. The revised Q2 projection ends FY19 with a \$52.2mm surplus and brings the necessary rate increase down to .8%. However, WTW recommends a minimum rate increase of 2% each year regardless of the performance of the fund to minimize long-term impact to the plan. A 2% rate increase reduces the FY20 projected surplus to 36.1mm.

A 2% rate increase in addition to FY20 recommended program changes equates to an increase in employee contribution of no more than \$65.52 per year, and a State increase of \$428.76 per year. This revised recommendation is down from \$104.76 and \$686.04 respectively from the January 14, 2019 recommendations. Treasurer Davis inquired about the increase to the State subsidy. Mr. Giovannello responded that increases are applied equally to the member and to the State as mandated by the State's cost sharing formula per Delaware code.

Dir. Rentz queried the Subcommittee for their reactions to the options presented for rate increases. Mr. Costantino would like to see the rate increase options all on one page for easier comparison. Treasurer Davis would like to see the national trend of a 5% rate increase included for comparison. Additionally she requested to see a comparison on how proposed program changes would impact a member's overall out of pocket costs.

EXPRESS SCRIPTS FY20 CONTRACT RENEWAL – Mr. CHRIS GIOVANNELO & Ms. REBECCA WARNKEN, WTW

The current Express Scripts ("ESI") contract expires on Jun 30, 2019, and the current EGWP contract expires on December 31, 2019. Based on the initial offer, including a reduction in allowed spend and improved rebates, WTW is recommending a one-year extension on the current contract. As proposed, the renewal will yield a savings of \$14.5mm in FY20 over the current contract, and has been included in the revised projections.

A best and final offer has been received and may potentially yield additional savings. Mr. Snyder asked about long term contract opportunities. Ms. Warnken responded that WTW recommends revisiting the contract in one year due to the merger activity in the marketplace.

Mr. Costantino asked about timeline for RFP. Dir. Rentz responded that a RFP must begin within 15 months for a contract effective date of July 1, 2021.

Mr. Costantino queried whether the savings on pharmacy was sufficient. Dir. Rentz stated that historically negotiated savings have been in the 2-3% range. Dir. Rentz stated that an Executive Session could be scheduled to review contract details. Mr. Snyder queried how federal legislation could impact the EGWP rebate formula and therefore projected savings. Dir. Rentz responded that federal legislative and regulatory action is being monitored.

Ms. Warnken summarized the Financial Subcommittee's recommendations to the Committee for vote on February 11, 2019; no change to claim liability or minimum reserve methodologies; and spread the surplus over two years. Additionally, program changes recommended by the Health Policy and Planning Subcommittee will also be presented for a vote.

OTHER BUSINESS

Dir. Rentz asked if members had any other business to bring forward and noted that Public Comment was not on the agenda. Hearing none, she moved to adjournment.

ADJOURNMENT

A MOTION was made by Mr. Snyder and seconded by Mr. Costantino to adjourn the meeting at 11:15 a.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Martha Sturtevant, Statewide Benefits Office, Department of Human Resources
Recorder, Statewide Employee Benefits Committee